

**CITY OF STRAWBERRY POINT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
  
**JUNE 30, 2013**

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## City of Strawberry Point

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Fox	Mayor	Dec 2013
Wally Rowcliffe	Council Member	Dec 2017
McKenzie Robinson	Council Member	Dec 2015
Mike Tucker	Council Member	Dec 2015
Jackie Opperman	Council Member	Dec 2015
Rich Newman	Council Member	Dec 2013
Tom Munter	Treasurer	Dec 2013
Deanna McCusker	City Clerk/Administrator	Indefinite
Timothy Schloss	Attorney	Indefinite

## City of Strawberry Point



**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

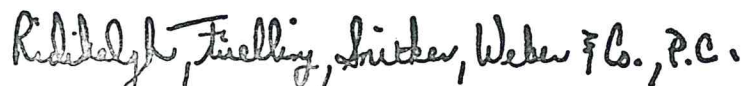
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Strawberry Point's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 29 through 31 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2014 on our consideration of the City of Strawberry Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Strawberry Point's internal control over financial reporting and compliance.

  
Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

April 30, 2014



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Strawberry Point provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$827,983, primarily due to the bond proceeds for capital street projects that were received.
- The cash basis net assets of the City's business type activities decreased \$46,398, due primarily from additional sewer expenses.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system and the electric utilities. These activities are financed primarily by user charges and related charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for electric, sewer and water utility operations. The Electric and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities. Total governmental type activities cash basis net assets increased primarily due to bond proceeds.

<u>Changes in Cash Basis Net Assets of Governmental Activities</u>	
	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service	\$221,278
Operating grants, contributions and restricted interest	402,846
Capital grants, contributions and restricted interest	1,250
General receipts:	
Property tax	405,318
Local Option Tax	109,566
Other City Tax	52,358
Unrestricted interest on investments	23,334
Bond Proceeds, net of \$39,471 issuance costs	1,510,529
Special Assessments	49,370
Miscellaneous	<u>260,158</u>
Total receipts	<u>3,036,007</u>
Disbursements:	
Public safety	296,187
Public works	166,456
Culture and recreation	225,706
Community and economic development	324,564
General government	90,613
Debt service	1,025,791
Capital projects	0
Business Type Activities	<u>78,707</u>
Total disbursements	<u>2,208,024</u>
Excess of receipts over disbursements	827,983
Transfers, net	<u>0</u>
Increase in cash basis net assets	827,983
Cash basis net assets beginning of year	<u>516,563</u>



Cash basis net assets end of year

**\$1,344,546**

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Changes in Cash Basis Net Assets of Business Type Activities

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Year ended June 30, 2013

Receipts:

Program receipts:

Charges for service:

Electric	\$1,091,912
Sewer	198,643
Water	105,611
Operating Grants, Contributions & Restricted Interest	359
Unrestricted interest on investments	1,249
Miscellaneous	<u>98,191</u>
Total receipts	<u>\$1,495,965</u>

Disbursements:

Electric	1,045,329
Sewer	169,984
Water	108,304
Electric generator	114,728
Sewer revenue bond sinking fund	<u>104,018</u>
Total disbursements	<u>1,542,363</u>

Excess of receipts over disbursements (46,398)

Transfers, net 0

Increase in cash basis net assets (46,398)

Cash balances beginning of year 551,693

Cash balances end of year **\$505,295**

Total business type activities cash basis net assets decreased due to additional expenses in sewer fund.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Strawberry Point completed the year, its governmental funds reported a combined fund balance of \$1,344,546. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund cash balance decreased \$55,687 from the prior year to a year-end balance of \$68,057. The decrease is due to operating transfers out to capital equipment accounts.
- The Debt Service Fund cash balance decreased \$38,073 during the fiscal year. The change was primarily due to paying an extra debt service/bond payments.
- The Capital Projects Fund cash balance increased \$726,948 during the fiscal year due to bond proceeds for capital improvements to streets.
- The Other Nonmajor Governmental Funds cash balance increased \$194,795 during the fiscal year due to transfers from general funds and trust and agency CDs.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Electric Fund cash balance increased \$7,410 to a year-end balance of \$213,464.
- The Sewer Fund cash balance decreased \$16,594 to a year-end balance of \$(23,803).
- The Water Fund cash balance increased \$12,429 to a year-end balance of \$93,239.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended the budget one time. The amendment was approved on May 15, 2013. The amendment resulted in budgeted receipts increasing by \$213,461 and increased budgeted expenditures of \$64,607.

The City exceeded the amounts budgeted in the public safety, debt service, and business type activities functions for the year ended June 30, 2013 due to miscellaneous expenses for Industrial Park improvement and last minute electric service needs.



## DEBT ADMINISTRATION

At June 30, 2013, the City had \$3,207,000 in long-term debt outstanding. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End	
	<u>June 30, 2013</u>
General Obligation notes	\$ 1,625,000
Revenue notes/bonds	<u>1,582,000</u>
Total	<u><b>\$ 3,207,000</b></u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$1,625,000, below its constitutional debt limit of approximately \$2,252,691.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Strawberry Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The City's FY2013 assessed taxable value has increased 1.5%, or \$391,477, from the FY 2012 level.

The FY2014 budget contains receipts of \$3,111,422 and disbursements of \$3,127,020. This budget is considerably lower than the FY2013 final budget which contained total receipts of \$3,574,439 and disbursements of \$3,793,949.

The FY2013 levy is \$14.87688 per \$1,000 of taxable valuation. The FY2014 levy is \$14.87694 per \$1,000 of taxable valuation.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Jaster, City Clerk/Administrator, 111 Commercial Street, Strawberry Point, Iowa 52076.

## **Basic Financial Statements**

## City of Strawberry Point

## Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 296,187	128,851	4,286	-
Public works	166,456	-	123,121	-
Culture and recreation	225,706	14,209	6,988	1,250
Community and economic development	324,564	-	268,451	-
General government	90,613	-	-	-
Debt service	1,025,791	-	-	-
Capital projects	-	-	-	-
Business type activities	78,707	78,218	-	-
Total governmental activities	2,208,024	221,278	402,846	1,250
Business type activities:				
Water	108,304	105,611	-	-
Sewer	169,984	198,643	-	-
Sewer revenue bond sinking fund	104,018	-	-	-
Electric	1,045,329	1,091,912	-	-
Electric Generator	114,728	-	359	-
Nonmajor business type funds	-	-	-	-
Total business type activities	1,542,363	1,396,166	359	-
Total	\$ 3,750,387	1,617,444	403,205	1,250

**General Receipts:**

Property tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Other city tax  
 Unrestricted interest on investments  
 Bond proceeds, net of \$39,471 issuance costs  
 Special assessments  
 Miscellaneous  
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

Expendable:

Streets

Debt service

Capital expenditures

Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(163,050)	-	(163,050)
(43,335)	-	(43,335)
(203,259)	-	(203,259)
(56,113)	-	(56,113)
(90,613)	-	(90,613)
(1,025,791)	-	(1,025,791)
-	-	-
(489)	-	(489)
(1,582,650)	-	(1,582,650)
-	(2,693)	(2,693)
-	28,659	28,659
-	(104,018)	(104,018)
-	46,583	46,583
-	(114,369)	(114,369)
-	-	-
-	(145,838)	(145,838)
(1,582,650)	(145,838)	(1,728,488)
318,120	-	318,120
26,766	-	26,766
60,432	-	60,432
109,566	-	109,566
52,358	-	52,358
23,334	1,249	24,583
1,510,529	-	1,510,529
49,370	-	49,370
260,158	98,191	358,349
-	-	-
2,410,633	99,440	2,510,073
827,983	(46,398)	781,585
516,563	551,693	1,068,256
\$ 1,344,546	505,295	1,849,841
\$ 99,566	-	99,566
20,717	220,548	241,265
708,008	-	708,008
11,070	1,847	12,917
505,185	282,900	788,085
\$ 1,344,546	505,295	1,849,841

City of Strawberry Point  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2013

	General	Debt Service	Streetscape Project	Capital Projects Rehab Housing
Receipts:				
Property tax	\$ 211,267	60,432	-	-
Tax increment financing collections	-	-	-	-
Other city tax	52,358	-	-	-
Licenses and permits	21,681	-	-	-
Use of money and property	60,951	-	-	-
Intergovernmental	37,365	-	-	268,451
Charges for service	180,139	-	-	-
Special assessment	-	12,182	29,019	-
Miscellaneous	20,061	-	-	3,929
Total receipts	583,822	72,614	29,019	272,380
Disbursements:				
Operating:				
Public safety	207,202	-	-	-
Public works	-	-	-	-
Culture and recreation	162,188	-	-	-
Community and economic development	-	-	-	288,042
General government	84,812	525	-	-
Debt service	-	975,791	50,000	-
Capital projects	-	-	-	-
Business Type Activities	73,107	-	-	-
Total disbursements	527,309	976,316	50,000	288,042
Excess of receipts over disbursements	56,513	(903,702)	(20,981)	(15,662)
Other financing sources (uses):				
Bond Proceeds, net	-	691,129	144,150	-
Operating transfers in	-	174,500	-	13,411
Operating transfers out	(112,200)	-	(145,500)	-
Total other financing sources (uses)	(112,200)	865,629	(1,350)	13,411
Net change in cash balances	(55,687)	(38,073)	(22,331)	(2,251)
Cash balances beginning of year	123,744	49,818	62,308	12,198
Cash balances end of year	\$ 68,057	11,745	39,977	9,947
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	-	-	-
Debt service	-	11,745	-	-
Capital expenditures	-	-	-	9,947
Other purposes	-	-	-	-
Assigned for:				
Capital expenditures	-	-	39,977	-
Other purposes	-	-	-	-
Unassigned	68,057	-	-	-
Total cash basis fund balances	\$ 68,057	11,745	39,977	9,947

See notes to financial statements

Cap Imp Street	Other Nonmajor Governmental Funds	Total
-	106,853	378,552
-	26,766	26,766
-	109,566	161,924
-	2,541	24,222
-	4,050	65,001
-	124,371	430,187
-	-	180,139
-	8,169	49,370
-	185,327	209,317
-	567,643	1,525,478
-	88,985	296,187
40,720	125,736	166,456
-	63,518	225,706
-	36,522	324,564
-	5,276	90,613
-	-	1,025,791
-	-	-
-	5,600	78,707
40,720	325,637	2,208,024
(40,720)	242,006	(682,546)
675,250	-	1,510,529
117,000	112,200	417,111
-	(159,411)	(417,111)
792,250	(47,211)	1,510,529
751,530	194,795	827,983
86,366	182,129	516,563
837,896	376,924	1,344,546
-	99,566	99,566
-	8,972	20,717
691,129	6,932	708,008
-	11,070	11,070
146,767	235,132	421,876
-	125,678	125,678
-	(110,426)	(42,369)
837,896	376,924	1,344,546

## City of Strawberry Point

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2013

	Water	Sewer	Sewer Revenue Bond Sinking Fund
Operating receipts:			
Use of money and property	\$ 816	-	-
Intergovernmental	-	-	-
Charges for service	105,611	198,643	-
Miscellaneous	14,306	8,764	-
Total operating receipts	120,733	207,407	-
Operating disbursements:			
Business type activities	108,304	169,984	104,018
Total operating disbursements	108,304	169,984	104,018
Excess (deficiency) of operating receipts over (under) operating disbursements	12,429	37,423	(104,018)
Operating transfers in (out)	-	(54,017)	104,017
Net change in cash balances	12,429	(16,594)	(1)
Cash balances beginning of year	80,810	(7,209)	123,987
Cash balances end of year	\$ 93,239	(23,803)	123,986
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt Service	\$ -	-	123,986
Other purposes	-	-	-
Unrestricted	93,239	(23,803)	-
Total cash basis fund balances	\$ 93,239	(23,803)	123,986

See notes to financial statements



Electric	Electric Generator Sinking Fund	Nonmajor Proprietary Fund Sewer Supplies	Total
433	359	-	1,608
-	-	-	-
1,091,912	-	-	1,396,166
75,121	-	-	98,191
1,167,466	359	-	1,495,965
1,045,329	114,728	-	1,542,363
1,045,329	114,728	-	1,542,363
122,137	(114,369)	-	(46,398)
(114,727)	114,727	(50,000)	-
7,410	358	(50,000)	(46,398)
206,054	96,204	51,847	551,693
213,464	96,562	1,847	505,295
-	96,562	-	220,548
-	-	1,847	1,847
213,464	-	-	282,900
213,464	96,562	1,847	505,295



City of Strawberry Point  
Notes to Financial Statements  
June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Strawberry Point is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and electric utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Strawberry Point has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

Streetscape Project is utilized to account for any capital improvements on the Streetscape Project.

REHAB Housing is utilized to account for funds received and used to improve qualified housing in the City.

Capital Improvement Streets is utilized to account for any street improvements within the City



The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Sewer Revenue Sinking Bond Fund accounts for Sewer Revenue Bond debt.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric facilities and services.

The Enterprise, Electric Generator Sinking Fund is used to make payments on the Electric Revenue Bond debt.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, the City amounts budgeted under the general government program.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2013, the City had no investments, as all ending fund balances were in the form of certificates of deposit, savings accounts and checking accounts.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 150,000	55,590	164,000	53,058	314,000	108,648
2015	155,000	52,230	171,000	47,330	326,000	99,560
2016	125,000	21,118	173,000	41,200	298,000	62,318
2017	120,000	19,868	180,000	34,910	300,000	54,778
2018	125,000	18,668	187,000	28,250	312,000	46,918
2019-2023	615,000	69,228	422,000	81,420	1,037,000	150,648
2024-2028	335,000	19,293	285,000	17,280	620,000	36,573
Total	\$ 1,625,000	255,993	1,582,000	303,448	3,207,000	559,440



### General Obligation Bonds:

On November 29, 2012, the City issued \$1,550,000 in General Obligation Bonds with an average interest rate of 1.6% to advance refund \$395,000 of outstanding 2008 Series bonds with an interest rate of 3.95% and \$275,000 of 2009 Series bonds with an interest rate of 4.4%. Of the net proceeds (\$1,510,529 after payment of \$39,471 for issuance costs), \$691,129 was used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for future debt service payments on the 2008 and 2009 Series bonds beginning in 2015. As a result, that portion of the 2008 and 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Schedule of Indebtedness.

### Revenue Bonds:

The City has an Electric Revenue Refunding Bond, Series 2008, dated May 1, 2008. Original amount was \$935,000. Interest rates are 3.0% to 4.3%. The bonds are not payable in any manner by taxation. Bonds are payable only from future net revenues of the Utility. City has a reserve fund, Electric Generator Sinking Fund, which is to be used if net revenues of the Utility are insufficient to make payments on this debt. This reserve account had a balance of \$96,562 at June 30, 2013. The total principal and interest remaining to be paid on the bond is \$575,248 at June 30, 2013.

On February 7, 2006 the City entered into a State Revolving Fund Loan Iowa Finance Authority and its partner Iowa Department of Natural Resources. Interest rate is 3.0%. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's sewer system. Bond will only be redeemed from future earnings of the fund. City shall make sufficient transfers to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due. The total principal and interest remaining to be paid on the bond is \$1,310,200 at June 30, 2013.

### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2013 was \$31,755, equal to the required contributions for the year..

### **(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employee retiree benefit plan which provides medical and dental benefits for current employees and their families and retirees only. There are 7 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/ dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/ prescription drug benefits as active employees.

Funding Policy- The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$697 for single coverage and \$1,742 for family coverage. The City only pays for single coverage for retired employees. Retired employees must pay difference to current premium and \$335. For the year ended June 30, 2013, the City contributed \$59,795 and plan members eligible for benefits contributed \$7,221 to the plan.

#### (6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave, personal and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave, personal and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,063
Sick Leave	1,023
Comp Time	995
Total	<u>\$ 14,081</u>

#### (7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfers from	Transfer to	Amount
General	Special Revenue:	
	T & A Fire	27,000
	T & A Library	4,000
	Capital Projects:	
	CP Police	8,200
	CP Ambulance	42,000
	CP Pool	14,500
	CP Clerks	10,500
	CP Parks	6,000
Special Revenue:	Capital Projects	
Road Use	Street Improvements	38,600
Local Option Sales Tax	Debt Service	14,000
	Capital Projects:	
	Street Improvements	78,400
Debt Service TIF - Ind Park	Debt Service	15,000
	Capital Projects:	
	REHAB Housing	13,411
Capital Projects:	Debt Service	145,500
Streetscape Project		
Enterprise Fund:	Enterprise Fund:	
Sewer	Sewer Bond Sinking Fund	104,017
Enterprise Fund:	Enterprise Fund:	
Sewer Suppllies	Sewer	50,000
Enterprise Fund:	Enterprise Fund:	
Electric	Electric Generator	114,727
Total		<u>685,855</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City employees totaling \$5,530 during the year ended June 30, 2013.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Balance**

The Special Revenue Funds of Employee Benefits and the Trust and Agency-Tree Board, the Capital Projects Fund – Fire and the Sewer Fund had deficit balances at June 30, 2013. The City considers these temporary and will eliminate with the receipt or transfer of funds.

**(11) Litigation**

There is no pending litigation pending involving the City of Strawberry Point.

**(12) Subsequent Events**

There were no significant subsequent events through April 30, 2014, the date of the audit report.

## Other Information



City of Strawberry Point  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 378,552	-	-
Tax increment financing collections	26,766	-	-
Other city tax	161,924	-	-
Licenses and permits	24,222	-	-
Use of money and property	65,001	1,608	-
Intergovernmental	430,187	-	-
Charges for service	180,139	1,396,166	-
Special assessment	49,370	-	-
Miscellaneous	209,317	98,191	-
Total receipts	1,525,478	1,495,965	-
Disbursements:			
Public safety	296,187	-	-
Public works	166,456	-	-
Culture and recreation	225,706	-	-
Community and economic development	324,564	-	-
General government	90,613	-	-
Debt service	1,025,791	-	-
Capital projects	-	-	-
Business type activities	78,707	1,542,363	-
Total disbursements	2,208,024	1,542,363	-
Excess of receipts over disbursements	(682,546)	(46,398)	-
Other financing sources (uses), net	1,510,529	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	827,983	(46,398)	-
Balances beginning of year	516,563	551,693	-
Balances end of year	\$ 1,344,546	505,295	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
378,552	387,079	387,079	(8,527)
26,766	28,411	28,411	(1,645)
161,924	122,293	130,378	31,546
24,222	1,755	3,650	20,572
66,609	72,265	256,424	(189,815)
430,187	480,050	458,598	(28,411)
1,576,305	1,686,401	1,706,543	(130,238)
49,370	41,471	48,931	439
307,508	20,833	34,005	273,503
3,021,443	2,840,558	3,054,019	(32,576)
296,187	344,178	295,083	(1,104)
166,456	180,192	197,216	30,760
225,706	210,406	241,979	16,273
324,564	362,791	388,439	63,875
90,613	92,536	111,787	21,174
1,025,791	143,162	285,162	(740,629)
-	13,200	43,300	43,300
1,621,070	1,713,603	1,561,709	(59,361)
3,750,387	3,060,068	3,124,675	(625,712)
(728,944)	(219,510)	(70,656)	(658,288)
1,510,529	-	819,400	691,129
781,585	(219,510)	748,744	32,841
1,068,256	1,640,901	1,640,901	(572,645)
1,849,841	1,421,391	2,389,645	(539,804)

City of Strawberry Point  
Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and increased budgeted receipts by \$213,461 and increased budgeted disbursements by \$64,607. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, debt service, and business type activities.

## **Supplementary Information**

## City of Strawberry Point

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Debt Service - TIF Ind Park	Special Revenue Schedule 2	Capital Projects Schedule 3	Total
<b>Receipts:</b>				
Property tax	\$ -	106,853	-	106,853
Other city tax	26,766	109,566	-	136,332
Licenses/Permits	-	2,541	-	2,541
Use of money and property	-	41	4,009	4,050
Intergovernmental	-	124,371	-	124,371
Charges for services	-	-	-	-
Special assessment	-	-	8,169	8,169
Miscellaneous	-	177,841	7,486	185,327
<b>Total receipts</b>	<b>26,766</b>	<b>521,213</b>	<b>19,664</b>	<b>567,643</b>
<b>Disbursements:</b>				
Operating:				
Public safety	-	60,630	28,355	88,985
Public works	-	111,944	13,792	125,736
Culture and recreation	-	54,219	9,299	63,518
Community and economic developmen	-	36,522	-	36,522
General government	-	5,276	-	5,276
Debt service	-	-	-	-
Capital projects	-	-	-	-
Business Type Activities	-	5,600	-	5,600
<b>Total disbursements</b>	<b>-</b>	<b>274,191</b>	<b>51,446</b>	<b>325,637</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>26,766</b>	<b>247,022</b>	<b>(31,782)</b>	<b>242,006</b>
<b>Other financing sources:</b>				
Operating transfers in (out)	(28,411)	(100,000)	81,200	(47,211)
<b>Change in cash balances</b>	<b>(1,645)</b>	<b>147,022</b>	<b>49,418</b>	<b>194,795</b>
<b>Cash balances beginning of year</b>	<b>2,477</b>	<b>95,962</b>	<b>83,690</b>	<b>182,129</b>
<b>Cash balances end of year</b>	<b>\$ 832</b>	<b>242,984</b>	<b>133,108</b>	<b>376,924</b>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	99,566	-	99,566
Debt service	832	8,140	-	8,972
Capital expenditures	-	-	6,932	6,932
Other purposes	-	11,070	-	11,070
Assigned for:				
Capital expenditures	-	-	235,132	235,132
Other purposes	-	125,678	-	125,678
Unassigned	-	(1,470)	(108,956)	(110,426)
<b>Total cash basis fund balances</b>	<b>\$ 832</b>	<b>242,984</b>	<b>133,108</b>	<b>376,924</b>

See accompanying independent auditor's report



## City of Strawberry Point

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Special Revenue

As of and for the year ended June 30, 2013

	Special Revenue								
	Road Use Tax	Employee Benefit	T & A Munter	T & A Electric	T & A Water	T & A Library	T & A Fire Dept	T & A Swimming	T & A Millard
Receipts:									
Property tax	\$ -	84,193	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-	-	-
Licenses/Permits	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	-
Intergovernmental	123,121	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-	-	-	-
Miscellaneous	986	2,868	948	7,050	2,250	-	185	-	-
Total receipts	124,107	87,061	948	7,050	2,250	-	185	-	-
Disbursements:									
Operating:									
Public safety	-	49,379	-	-	-	-	-	-	-
Public works	99,094	12,850	-	-	-	-	-	-	-
Culture and recreation	-	21,480	9,255	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-	-
General government	-	5,276	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Business Type Activities	-	-	-	4,225	1,375	-	-	-	-
Total disbursements	99,094	88,985	9,255	4,225	1,375	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	25,013	(1,924)	(8,307)	2,825	875	-	185	-	-
Other financing sources:									
Operating transfers in (out)	(38,600)	-	-	-	-	4,000	27,000	-	-
Change in cash balances	(13,587)	(1,924)	(8,307)	2,825	875	4,000	27,185	-	-
Cash balances beginning of year	113,153	(1,892)	17,118	8,888	4,714	11,746	(25,412)	21,000	49
Cash balances end of year	\$ 99,566	(3,816)	8,811	11,713	5,589	15,746	1,773	21,000	49
<b>Cash Basis Fund Balances</b>									
Restricted for:									
Streets	\$ 99,566	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Other purposes	-	-	8,811	-	-	-	-	-	49
Assigned for other purposes	-	-	-	11,713	5,589	15,746	1,773	21,000	-
Unassigned	-	(3,816)	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 99,566	(3,816)	8,811	11,713	5,589	15,746	1,773	21,000	49

See accompanying independent auditor's report

Special Revenue (Continued)												Total
Library Harle	T & A Tree Board	T & A Ambulance	T & A Civic Center	Local Option - DS	Electric Princ & Int Reserve	Local Option Econ Dev	T& A Emergency	T & A I - Jobs	Fema Hazard	Fireman's Assoc.	Township Prop Tax	
-	-	-	-	-	-	-	-	-	-	-	22,660	106,853
-	-	-	-	73,044	-	36,522	-	-	-	-	-	109,566
-	-	-	-	-	2,541	-	-	-	-	-	-	2,541
-	-	-	-	-	-	-	-	-	-	41	-	41
-	1,250	-	-	-	-	-	-	-	-	-	-	124,371
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	260	150	-	146,786	-	-	-	-	16,358	-	177,841
-	1,250	260	150	73,044	149,327	36,522	-	-	-	16,399	22,660	521,213
-	-	-	-	-	-	-	-	-	-	11,251	-	60,630
-	-	-	-	-	-	-	-	-	-	-	-	111,944
-	1,484	-	-	-	-	-	-	-	-	-	22,000	54,219
-	-	-	-	-	-	36,522	-	-	-	-	-	36,522
-	-	-	-	-	-	-	-	-	-	-	-	5,276
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	5,600
-	1,484	-	-	-	-	36,522	-	-	-	11,251	22,000	274,191
-	(234)	260	150	73,044	149,327	-	-	-	-	5,148	660	247,022
-	-	-	-	(92,400)	-	-	-	-	-	-	-	(100,000)
-	(234)	260	150	(19,356)	149,327	-	-	-	-	5,148	660	147,022
2,210	39	19,050	29,538	27,496	(146,786)	-	258	428	3,257	10,699	409	95,962
2,210	(195)	19,310	29,688	8,140	2,541	-	258	428	3,257	15,847	1,069	242,984
-	-	-	-	-	-	-	-	-	-	-	-	99,566
-	-	-	-	8,140	-	-	-	-	-	-	-	8,140
2,210	-	-	-	-	-	-	-	-	-	-	-	11,070
-	-	19,310	29,688	-	-	-	258	428	3,257	15,847	1,069	125,678
-	(195)	-	-	-	2,541	-	-	-	-	-	-	(1,470)
2,210	(195)	19,310	29,688	8,140	2,541	-	258	428	3,257	15,847	1,069	242,984

## City of Strawberry Point

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Capital Projects

As of and for the year ended June 30, 2013

	Capital Projects					
	Equip Imp Police	Equip Imp Fire	Equip Imp Ambulance	Equip Imp Street	Equip Imp Pool	Equip Imp Water
Receipts:						
Property tax	\$ -	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Licenses/Permits	-	-	-	-	-	-
Use of money and property	204	-	-	204	-	204
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Special Assessment	-	-	-	8,169	-	-
Miscellaneous	-	-	-	1,661	-	-
Total receipts	204	-	-	10,034	-	204
Disbursements:						
Operating:						
Public safety	28,355	-	-	-	-	-
Public works	-	-	-	8,759	-	-
Culture and recreation	-	-	-	-	9,299	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Business Type Activities	-	-	-	-	-	-
Total disbursements	28,355	-	-	8,759	9,299	-
Excess (deficiency) of receipts over (under) disbursements	(28,151)	-	-	1,275	(9,299)	204
Other financing sources:						
Operating transfers in (out)	8,200	-	42,000	-	14,500	-
Change in cash balances	(19,951)	-	42,000	1,275	5,201	204
Cash balances beginning of year	21,868	(108,957)	41,264	29,332	14,770	25,263
Cash balances end of year	\$ 1,917	(108,957)	83,264	30,607	19,971	25,467
<b>Cash Basis Fund Balances</b>						
Restricted for capital expenditures	\$ -	-	-	-	-	-
Assigned for capital expenditures	1,917	-	83,264	30,607	19,971	25,467
Unassigned	-	(108,957)	-	-	-	-
Total cash basis fund balances	\$ 1,917	(108,957)	83,264	30,607	19,971	25,467

See accompanying independent auditor's report



Capital Projects (Continued)							Total
Equip Imp Sewer	Equip Imp Electric	Equip Imp Clerks	Equip Imp Parks	Electric Req Imp	Special Assessment	Ind Park Improvement	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,019	204	-	2,174	-	-	4,009
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,169
-	-	-	-	-	-	5,825	7,486
-	1,019	204	-	2,174	-	5,825	19,664
-	-	-	-	-	-	-	28,355
-	-	-	-	-	-	5,033	13,792
-	-	-	-	-	-	-	9,299
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,033	51,446
-	1,019	204	-	2,174	-	792	(31,782)
-	-	10,500	6,000	-	-	-	81,200
-	1,019	10,704	6,000	2,174	-	792	49,418
1,283	38,585	12,815	3,500	2,378	1	1,588	83,690
1,283	39,604	23,519	9,500	4,552	1	2,380	133,108
-	-	-	-	4,552	-	2,380	6,932
1,283	39,604	23,519	9,500	-	-	-	235,132
-	-	-	-	-	1	-	(108,956)
1,283	39,604	23,519	9,500	4,552	1	2,380	133,108

City of Strawberry Point  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Corporate purpose, Series 2005	March 15, 2005	3.10 - 4.25%	\$ 425,000
Corporate purpose, Series 2008	May 1, 2008	3.95%	675,000
Street Improvement, Series 2009	July 30, 2009	4.40%	330,000
Street Improvement and Refunding, Series 2012A	November 29, 2012	1.00 - 2.45%	1,550,000
Total General Obligation			
Sewer Revenue Bonds - IFA	February 7, 2006	3.00%	\$ 1,500,000
Electric Revenue Bonds	May 1, 2008	3.00-4.30%	935,000
Total Revenue Bonds			

See accompanying independent auditor's report

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	190,000	-	190,000	-	3,900
	515,000	-	435,000	80,000	20,343
	330,000	-	290,000	40,000	14,520
	-	1,550,000	45,000	1,505,000	12,750
\$	1,035,000	1,550,000	960,000	1,625,000	51,513
\$	1,139,000	-	67,000	1,072,000	34,170
	600,000	-	90,000	510,000	24,228
\$	1,739,000	-	157,000	1,582,000	58,398

Year Ending June 30,	General Obligation Series 2008B		General Obligation Street Improvement		General Obligation Series 2012A	
	Issued May 2008		Issued July 2009		Issued November 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.95	\$ 40,000	4.40	20,000	1.00	90,000
2015	3.95	40,000	4.40	20,000	1.00	95,000
2016		-		-	1.00	125,000
2017		-		-	1.00	120,000
2018		-		-	1.05	125,000
2019		-		-	1.25	120,000
2020		-		-	1.50	120,000
2021		-		-	1.65	120,000
2022		-		-	1.75	125,000
2023		-		-	1.90	130,000
2024		-		-	2.05	135,000
2025		-		-	2.20	50,000
2026		-		-	2.20	50,000
2027		-		-	2.45	50,000
2028		-		-	2.45	50,000
		<u>\$ 80,000</u>		<u>40,000</u>		<u>1,505,000</u>
Year Ending June 30,	Revenue Bond Electric Refinancing		Revenue Bond IFA-Clean Water			
	Issued May 2008		Issued February 2006			
	Interest Rate	Amount	Interest Rate	Amount		
2014	3.85	\$ 95,000	3.00	69,000		
2015	4.00	100,000	3.00	71,000		
2016	4.10	100,000	3.00	73,000		
2017	4.20	105,000	3.00	75,000		
2018	4.30	110,000	3.00	77,000		
2019		-	3.00	80,000		
2020		-	3.00	82,000		
2021		-	3.00	84,000		
2022		-	3.00	87,000		
2023		-	3.00	89,000		
2024		-	3.00	92,000		
2025		-	3.00	95,000		
2026		-	3.00	98,000		
		<u>\$510,000</u>		<u>1,072,000</u>		

See accompanying independent auditor's report



## City of Strawberry Point

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	<u>2013</u>
Receipts:	
Property tax	\$ 405,318
Other city tax	161,924
Licenses and permits	24,222
Use of money and property	65,001
Intergovernmental	430,187
Charges for service	180,139
Special assessments	49,370
Miscellaneous	<u>209,317</u>
Total	<u>\$ 1,525,478</u>
Disbursements:	
Operating:	
Public safety	\$ 296,187
Public works	166,456
Culture and recreation	225,706
Community and economic development	324,564
General government	90,613
Debt service	1,025,791
Capital projects	<u>78,707</u>
Total	<u>\$ 2,208,024</u>

See accompanying independent auditor's report

**City of Strawberry Point**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Strawberry Point's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the City of Strawberry Point's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Strawberry Point's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Strawberry Point's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13, II-D-13 and II-E-13 to be significant deficiencies.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Strawberry Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

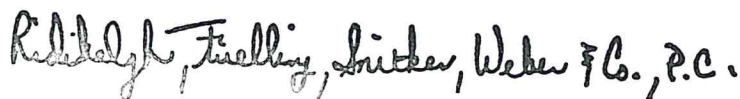
## City of Strawberry Point's Responses to Findings

The City of Strawberry Point's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Strawberry Point's responses and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control of on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Strawberry Point during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Ridihaigh, Fuelling, Snitker, Weber & Co., P.C.

April 30, 2014



## **City of Strawberry Point**

City of Strawberry Point  
Schedule of Findings and Questioned Costs  
June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Strawberry Point did not expend federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,00 for the year ended June 30, 2013.

## **Part II: Findings Related to the Financial Statements:**

### **INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City should segregate the tasks within the following areas to the extent possible with existing personnel:

- 1) Cash – handling, reconciling and recording.
- 2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Payroll – recordkeeping, preparation and distribution.
- 5) Utilities – billing, collecting, depositing and posting.
- 6) Financial reporting – preparation and reconciling.
- 7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will consider this.

Conclusion – Response acknowledged.

II-B-13 Preparation of Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles. The City does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by governmental accounting standards and the cash basis of accounting. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

- II-C-13 Electric Utility Rates – The City Council approved an increase in electric utility rates in a prior fiscal year. Per the increase, Phase 3 Commercial electric rates were set at \$0.146 for the first 1,000 kWh, \$0.126 for 1,001 to 5,000 kWh, and \$0.096 for usage in excess of 5,000 kWh. These increases were not updated on the billing system to appropriately reflect the change in the rates.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to utility customers.

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the increased electric rate.

Conclusion – Response accepted.

- II-D-13 Timesheets – The city clerk currently approves all supervisor timesheets including their own.

Recommendation – The mayor or a member of the council should approve the city clerk’s timesheet to eliminate self-approval of hours worked.

Response – The timesheets of the City Clerk will be provided to the Mayor or a Council Member for approval from this point forward.

Conclusion – Response accepted.

- II-E-13 Salary and Wage Rates – The most recent resolution for approval of pay rates found was for fiscal year 2010. However, it was noted in the December 2012 minutes the council approved a 2% salary increase for city employees with the increase to be retroactive to July 1, 2012. No resolution was approved with the new pay rates. We were unable to agree current pay rates based on documents we reviewed of approved increases to what some employee were being paid.

Recommendation – The City should document with a resolution every time a pay increase is approved. The resolution should include the new rates for all current employees at the time the increase is to take effect.



Response – The City will draft and approve a resolution every time pay rate increases are done from this point forward.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, debt service, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

One budget amendment was made during the year ended June 30, 2013 and publications were posted as required. However, the original budgeted amount for the general government function did not agree on the original and subsequent amended budget publications.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The City should ensure budget amounts are accurate when approving budget amendments.

Response – The budget will be amended in the future, as applicable. The City will review the budget for accuracy and consistency when amending.

Conclusion – Response accepted.

- III-B-13 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-C-13 Travel Expenses – No disbursements of City money for travel expenses of spouses City officials or employees were noted.
- III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

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Name, Title and Business Connection	Transaction Description	Amount
1) Munters True Value, owned by city treasurer Thomas Munter	Miscellaneous supplies and tools	\$ 2,884
2) Strawberry Computing, owned by mayor Dale Fox	Computer services	2,646

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In accordance with Chapter with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transaction were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City acknowledges the recommendation and will work with legal counsel to develop a competitive bid procedure to ensure the City is in compliance with Chapter 362.5(k) of the Code of Iowa.

Conclusion – Response accepted.

- III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- III-F-13 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session on April 3, 2013. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although the minutes of City Council proceedings were published, they did not include a summary of receipts, prior to May 2013, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Response – We will comply with the Code requirements for closed sessions and published minutes. The City has implemented procedures in response to the above recommendation.

Conclusion – Response accepted.

- III-G-13 Deposits and Investments – The City does not have a current depository resolution on file as required by Chapter 12C of the Code of Iowa.

Recommendation – The City should approve a depository resolution and keep a copy on file for annual review and amendment as necessary.

Response – The City will draft and approve a depository resolution and keep on file for annual review and amendment as necessary.

Conclusion – Response accepted.

- III-H-13 Revenue Bonds and Notes – Total net revenue retained within sewer utility funds does not equal the 110% as required by the sewer revenue bond agreement.

Recommendation – The City should review bond agreement requirements and take actions necessary to become in compliance.

Response – The City will review the bond requirements and take action to regain continued compliance.

Conclusion – Response accepted.

- III-I-13 Payment of General Obligation Bonds – Certain general obligation bonds were paid from funds other than the Debt Service Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”



Recommendation – The City should transfer monies to service general obligation bonds to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

- III-J-13 Financial Condition – The City has deficit balances of \$3,816 in the T&A Employee Benefit Fund, \$195 in the T&A Tree Board Fund, \$108,957 in the Equipment Improvement-Fire Fund, and \$23,803 in the Sewer Fund.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – The City will look into alternatives to eliminate deficits and return fund balances to sufficient positive balances.

Conclusion – Response acknowledged.

- III-K-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. We noted \$13,411 of TIF monies transferred to the Rehab Housing Fund and expended for purposes other than repayment of certified TIF obligations.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF disbursement. The City should ensure disbursement of TIF monies is made only for payments for certified TIF obligations.

Response – The City will consult with TIF counsel to ensure all TIF monies are disbursed correctly.

Conclusion – Response acknowledged.

- III-L-13 Annual Financial Report – The Annual Financial Report was approved and timely filed with the Auditor of State on or before December 1. However, the City's beginning and ending cash balances do not agree with the City's general ledger.

Recommendation – The City should ensure the beginning and ending cash balances and other required information reported on the Annual Financial Report agree with the City's records.

Response – Management determined the differences were due to erroneously reporting the purchase and maturity of certificates of deposits as expenditures and receipts, respectively, in prior fiscal years. These balances will be corrected on next year's report.

Conclusion – Response accepted.